

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
ANNUAL FINANCIAL REPORTS
JUNE 30, 2010 AND 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/27/10

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Chizal S. Fontenot, CPA
James L. Nicholson, Jr., CPA
G. Kenneth Pavy, II, CPA
Michael A. Roy, CPA
Lisa Trouille Manuel, CPA
Dana D. Quebedeaux, CPA



JOHN S. DOWLING & COMPANY
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

John S. Dowling, CPA
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1996
Dwight Ledoux, CPA
1998
Joel Lanclos, Jr., CPA
2003
Russell J. Stelly, CPA
2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Landry Waterworks District No. 2 Rural
Sunset, Louisiana

We have audited the accompanying financial statements of the business-type activities of the St. Landry Waterworks District No. 2 Rural, a component unit of the St. Landry Parish Government, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of St. Landry Waterworks District No. 2 Rural's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

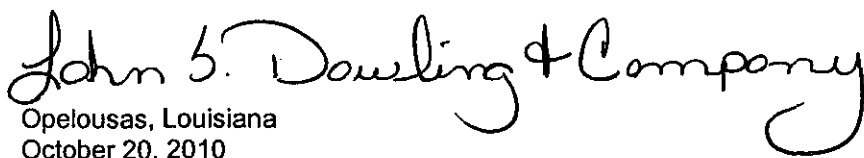
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of St. Landry Waterworks District No. 2 Rural, as of June 30, 2010 and 2009, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2010, on our consideration of the St. Landry Waterworks District No. 2 Rural's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Directors
St. Landry Waterworks District No. 2 Rural
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Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. Landry Waterworks District No. 2 Rural's basic financial statements. The other required supplementary information on pages 16 and 17 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations," and is also not a required part of the basic financial statements of the St. Landry Waterworks District No. 2 Rural. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other required supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

St. Landry Waterworks District No. 2 Rural has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.


Opelousas, Louisiana
October 20, 2010

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	2010	2009
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Petty cash	\$ 60	\$ 60
General account - checking	59,615	61,585
General account - savings	14,421	7,513
Revenue account - certificate of deposit	1,417	1,391
LAMP investment	16,851	16,824
Accounts receivable	54,622	51,990
Less: Allowance for doubtful accounts	(3,128)	(2,657)
Other receivables	86	22
Due from restricted assets	420	4,570
<u>Total current assets</u>	<u>144,364</u>	<u>141,298</u>
<u>RESTRICTED ASSETS</u>		
Depreciation and Contingency Fund		
Savings	28,391	17,954
Certificates of deposit	14,872	14,602
Construction account - checking	-	100
Reserve note fund		
Savings	49,806	44,649
Certificates of deposit	30,456	29,902
Revenue savings account	3,398	3,389
Customers' deposits		
Bank of Sunset - checking	47,970	48,970
<u>Total restricted assets</u>	<u>174,893</u>	<u>159,566</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water system	2,925,531	2,922,756
Equipment	35,556	35,556
Autos	20,009	20,009
Buildings/improvements	45,194	45,194
Furniture	6,469	6,469
Software	4,034	4,034
Land improvements	12,725	12,725
	3,049,518	3,046,743
Less: Allowance for depreciation	(1,155,772)	(1,040,192)
Land	17,500	17,500
<u>Total property, plant, and equipment</u>	<u>1,911,246</u>	<u>2,024,051</u>
<u>OTHER ASSETS</u>		
Bond issue costs, net	40,465	41,769
<u>Total other assets</u>	<u>40,465</u>	<u>41,769</u>
<u>Total assets</u>	<u>2,270,968</u>	<u>2,366,684</u>

Continued on next page.

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2010 AND 2009

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	2010	2009
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u> (from current assets)		
Accounts payable	\$ 13,941	\$ 16,280
Sales tax payable	83	56
Payroll tax withheld and payable	2,206	2,112
Current portion of long-term debt	28,663	27,440
<u>Total current liabilities</u>	<u>44,893</u>	<u>45,888</u>
<u>CURRENT LIABILITIES</u> (from restricted assets)		
Accrued interest payable	2,325	2,364
Customers' deposits	47,550	44,400
Due to General Fund	420	4,570
<u>Total restricted liabilities</u>	<u>50,295</u>	<u>51,334</u>
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds	1,639,399	1,666,666
Less: Current portion of long-term debt	(28,663)	(27,440)
<u>Total long-term liabilities</u>	<u>1,610,736</u>	<u>1,639,226</u>
<u>Total liabilities</u>	<u>1,705,924</u>	<u>1,736,448</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	271,847	357,385
Restricted for:		
Construction	-	100
Reserve note fund	81,335	75,576
Depreciation fund	43,263	32,556
Unrestricted	168,599	164,619
<u>Total net assets</u>	<u>565,044</u>	<u>630,236</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	2010	2009
<u>OPERATING REVENUES</u>		
Water sales	\$ 366,513	\$ 349,506
Connection fees	20,080	31,360
Late fees	7,931	7,064
Disconnect notice fees	14,520	12,590
Client portion of line extensions	-	5,535
Other revenue	663	2,466
<u>Total operating revenues</u>	<u>409,707</u>	<u>408,521</u>
<u>OPERATING EXPENSES</u>		
Current		
Supplies		
Water supplies	33,513	27,611
Office supplies	20,424	13,555
Other		
Salaries	68,680	64,355
Payroll taxes	6,358	6,482
Repairs and maintenance	32,037	22,204
Insurance	20,840	18,840
Dues and subscriptions	275	256
Conventions and seminars	1,757	1,286
Postage	5,128	5,181
Auto and truck	12,901	11,056
Professional fees	9,525	7,050
Telephone	5,878	5,773
Utilities	18,422	21,903
Per diem and travel allowance	8,640	8,900
Janitorial	624	2,881
Miscellaneous	230	113
Meter connection contract fee	9,600	13,750
Louisiana One Call	1,174	927
Water purchases – Cankton	32,424	30,235
Depreciation	115,580	115,175
<u>Total operating expenses</u>	<u>404,010</u>	<u>377,533</u>
<u>OPERATING INCOME</u>	<u>5,697</u>	<u>30,988</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest revenue	1,752	2,353
Interest expense	(71,337)	(72,523)
Amortization of bond issue costs	(1,304)	(1,303)
<u>Total non-operating revenues</u> <u>(expenses)</u>	<u>(70,889)</u>	<u>(71,473)</u>
<u>CHANGE IN NET ASSETS</u>	<u>(65,192)</u>	<u>(40,485)</u>
<u>NET ASSETS, beginning of year</u>	<u>630,236</u>	<u>670,721</u>
<u>NET ASSETS, end of year</u>	<u>565,044</u>	<u>630,236</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
	2010	2009
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 410,659	\$ 405,813
Cash paid to suppliers	(215,731)	(187,663)
Cash paid to employees	(74,944)	(70,784)
<u>Net cash provided by operating activities</u>	<u>119,984</u>	<u>147,366</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of property, plant, and equipment	(2,775)	(16,605)
Principal paid on bonds	(27,267)	(26,042)
Interest paid on bonds	(71,376)	(72,602)
<u>Net cash used by capital and related financing activities</u>	<u>(101,418)</u>	<u>(115,249)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on investments and savings	1,752	2,353
Interest reinvested in certificates of deposit	(850)	(1,417)
<u>Net cash provided by investing activities</u>	<u>902</u>	<u>936</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>19,468</u>	<u>33,053</u>
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	<u>201,044</u>	<u>167,991</u>
<u>CASH AND CASH EQUIVALENTS, end of year</u>	<u>220,512</u>	<u>201,044</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating income	\$ 5,697	\$ 30,988
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	115,580	115,175
Changes in assets and liabilities		
(Increase) decrease in accounts receivable, net	(2,161)	(5,191)
(Increase) decrease in other receivable	(64)	(10)
Increase (decrease) in accounts payable	(2,339)	3,858
Increase (decrease) in sales tax payable	27	(7)
Increase (decrease) in customers' deposits	3,150	2,500
Increase (decrease) in other payable		-
Increase (decrease) in payroll tax payable	94	53
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>119,984</u>	<u>147,366</u>

The accompanying notes are an integral part of these statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SCOPE OF ENTITY

St. Landry Waterworks District No. 2 Rural, a component unit of the St. Landry Parish Government, was created by the St. Landry Parish Police Jury as authorized by Louisiana Revised Statute 33:3814. The ordinance creating this Waterworks District was dated August 14, 1989. The District is governed by a five member board of commissioners, appointed by the Parish Government, who are authorized to construct, maintain, and improve the waterworks system within the District.

As the governing authority of the parish, for reporting purposes, the St. Landry Parish Government is the financial reporting entity for St. Landry Parish.

The financial reporting entity consists of (a) the primary government (parish government) (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Landry Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Parish Government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Government.
2. Organizations for which the Parish Government does not appoint a voting majority but are fiscally dependent on the Parish Government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Government appoints a voting majority of the Water District's governing body and the Parish Government has the ability to impose its will on the Water District, the Water District was determined to be a component unit of the St. Landry Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Water District and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statements of Net Assets display information on all of the non-fiduciary activities of St. Landry Waterworks District No. 2 Rural, as a whole. They include the proprietary fund of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in the GWFS.

C. FUND ACCOUNTING

The accounts of St. Landry Waterworks District No. 2 Rural are organized in one fund, which is considered a separate accounting entity. The operations of the fund are accounted for by self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The fund presented in the financial statements is described as follows:

Proprietary Fund

Proprietary funds are used to account for operations that are financed and operated in a manner where the intent of the governing body is that the costs, (expenses) including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the Statements of Net Assets, business-type activities are presented using the economic resources measurement focus.

The Proprietary Fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the Statements of Net Assets, business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled and billed utility receivables are recorded at year-end. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Basis of Accounting - Continued

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material.

Proprietary funds are reported in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB pronouncements.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for sales or services. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the District have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

E. INVESTMENTS

Investments are recorded at cost, which approximates market.

Louisiana statutes authorize St. Landry Waterworks District No. 2 Rural to invest in United States bonds, treasury notes or certificates, time certificates of deposit in state and national banks, the Louisiana Asset Management Pool, or any other federally insured investment.

F. CAPITAL ASSETS

Capital assets (including infrastructure assets), which constitute assets of the Proprietary Fund, are recorded at cost and depreciation is computed under the straight-line method and the modified accelerated cost recovery method. The service lives by type of asset are as follows:

Water system	25 years
Equipment	5-7 years
Buildings/improvements	15-30 years
Furniture	7 years
Land improvements	15 years
Autos	5 years
Software	5 years

Interest costs during construction are not capitalized.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. BUDGET ACCOUNTING

St. Landry Waterworks District No. 2 Rural is not required to adopt a budget for its Proprietary Fund.

H. STATEMENT OF CASH FLOWS

For purposes of reporting cash flows, all highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

I. ENCUMBRANCES

St. Landry Waterworks District No. 2 Rural does not employ the encumbrance system of accounting.

J. VACATION AND SICK LEAVE

St. Landry Waterworks District No. 2 Rural has two employees. Employees earn one week of vacation after one year of service. They earn two weeks of vacation after five years of service. Vacation cannot be accumulated. Employees are compensated at their hourly rate when sick.

K. BAD DEBTS

St. Landry Waterworks District No. 2 Rural has a policy of recognizing uncollectible amounts of water billings at the time information becomes available which would indicate the uncollectibility of the receivable.

NOTE (2) - CASH

The bank balances of cash, including investments, were \$265,725 and \$247,146 at June 30, 2010 and 2009, respectively and the carrying amounts of cash and investments were \$267,257 and \$246,939 at June 30, 2010 and 2009, respectively. Of the bank balances, at June 30, 2010 approximately \$248,874 is covered by FDIC insurance. The remaining funds of \$16,851 are invested in the Louisiana Asset Management Pool (LAMP). Cash on hand was \$60 at June 30, 2010 and 2009. Investments consist of time certificates of deposit and direct investment in the Louisiana Asset Management Pool (LAMP).

Investments in certificates of deposit were \$46,745 and \$45,895 at June 30, 2010 and 2009, respectively. The Louisiana Asset Management Pool (LAMP) is a cooperative endeavor designed to create a local government investment vehicle. The cooperative endeavor was created at the initiative of the Louisiana State Treasurer's Office. With investment advice provided by professional investment manager and custody of the assets maintained by a major Louisiana bank, LAMP has been established to improve administrative efficiency and increase investment yield for all depositing members. Investments in LAMP were \$16,851 and \$16,824 at June 30, 2010 and 2009, respectively.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (3) - ACCOUNTS RECEIVABLE

St. Landry Waterworks District No. 2 Rural's accounts receivable consist of uncollected billed and unbilled utility services. An accounts receivable aging schedule is as follows:

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
<u>Days</u>	<u>Amounts</u>	<u>Number of Accounts</u>	<u>Amounts</u>	<u>Number of Accounts</u>
0-90	\$ 16,825	748	\$ 12,844	744
91 and older	3,128	55	3,681	197
Unbilled receivables	<u>34,669</u>		<u>35,465</u>	
<u>Total</u>	<u>54,622</u>		<u>51,990</u>	
Breakdown of active customers:				
Residential	1,301		1,267	
Commercial	<u>17</u>		<u>19</u>	
<u>Total</u>	<u>1,318</u>		<u>1,286</u>	

The present water rates are as follows:

Residential monthly billing	
First 2,000 gallons (minimum)	\$ 12.25
Over 2,000 gallons (per 1,000 gallons)	2.35
Residential monthly billing - Cankton side	
First 2,000 gallons (minimum)	12.25
Over 2,000 gallons (per 1,000 gallons)	4.00
Commercial monthly billing	
First 2,000 gallons (minimum)	12.25
Over 2,000 gallons (per 1,000 gallons)	2.35

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (4) - RESTRICTED ASSETS

Under the terms of the Loan Resolution Security Agreements with the United States Department of Agriculture, Farmers Home Administration, which is now called Rural Development, all funds received shall be pledged for the purpose of the following funds and shall be set aside into the following separate accounts:

All revenue received shall be set aside in an account to be designated as the General Account. The General Account shall be used to make the monthly debt service payments plus operating and maintenance expenses.

From the remaining funds in the General Account there shall be set aside into an account designated as the Reserve Account the sum of \$370 (\$410 beginning 2/20/08) each month until there is accumulated in that account the sum of \$98,266 after which deposits may be suspended, except to replace withdrawals.

There shall also be set aside into an account designated as a contingency account the sum of \$370 (\$410 beginning 2/20/08) each month until there is accumulated in the Contingency Account the sum of \$98,266. Monthly deposits will then increase to \$570.

The proceeds from loans with Rural Development shall be deposited in the Construction Account which shall be established as required by Rural Development. Withdrawals from the Construction Account shall be made only on checks signed by the president of St. Landry Waterworks District No. 2 Rural as authorized by the Board and with prior concurrence of Rural Development. St. Landry Waterworks District No. 2 Rural's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by Rural Development and the Construction Account shall be closed.

The total funds held in each account are as follows:

	June 30, 2010	
	2010	2009
Meter Deposits	\$ 47,970	\$ 48,970
Construction account	-	100
Depreciation and contingency	43,263	32,556
Reserve account	83,660	77,940
	<u>174,893</u>	<u>159,566</u>

During the 2010 fiscal year, the Water System made twelve payments of \$410 into each the Contingency and Reserve Accounts.

During the 2009 fiscal year, the Water System made twelve payments of \$370 into the Contingency Account and twelve payments of \$370 into the Reserve Account.

The customers' deposits account represents refundable fifty dollar deposits collected from homeowners and one hundred dollar deposits collected from renters requesting service connection. Customers' deposits are deposited in a separate cash account and totaled \$47,970 and \$48,970 at June 30, 2010 and 2009. There was an amount due to the General Fund from the customers' deposit account in the amount of \$420 and \$4,570 at June 30, 2010 and 2009, respectively.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (5) - CAPITAL ASSETS

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2010:

<u>Description of Property</u>	<u>Life in Years</u>	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation This Year</u>
Water system	25 years	\$ 2,922,756	\$ 1,076,328	\$ 1,846,428	\$ 104,887
Equipment	5 years	35,556	26,483	9,073	3,069
Land		17,500		17,500	
Buildings/ improvements	15-30 years	45,194	20,675	24,519	2,886
Furniture	7 years	6,469	6,426	43	537
Land improvements	15 years	15,500	4,318	11,182	1,199
Autos	5 years	20,009	17,508	2,501	3,002
Software	5 years	4,034	4,034	-	-
<u>Totals</u>		<u>3,067,018</u>	<u>1,155,772</u>	<u>1,911,246</u>	<u>115,580</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2009:

<u>Description of Property</u>	<u>Life in Years</u>	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation This Year</u>
Water system	25 years	\$ 2,922,756	\$ 971,441	\$ 1,951,315	\$ 104,722
Equipment	5 years	35,556	23,415	12,141	2,457
Land		17,500		17,500	
Buildings/ improvements	15-30 years	45,194	17,789	27,405	2,886
Furniture	7 years	6,469	5,889	580	924
Land improvements	15 years	12,725	3,119	9,606	1,184
Autos	5 years	20,009	14,505	5,504	3,002
Software	5 years	4,034	4,034	-	-
<u>Totals</u>		<u>3,064,243</u>	<u>1,040,192</u>	<u>2,024,051</u>	<u>115,175</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (6) - LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions:

	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Series 2007</u>	<u>Total</u>
Balance, June 30, 2008	\$ 707,581	\$ 41,682	\$ 111,654	\$ 831,791	\$ 1,692,708
Reductions in principal	<u>(13,383)</u>	<u>(813)</u>	<u>(2,888)</u>	<u>(8,958)</u>	<u>(26,042)</u>
Balance, June 30, 2009	694,198	40,869	108,766	822,833	1,666,666
Reductions in principal	<u>(13,998)</u>	<u>(828)</u>	<u>(3,021)</u>	<u>(9,420)</u>	<u>(27,267)</u>
Balance, June 30, 2010	<u>680,200</u>	<u>40,041</u>	<u>105,745</u>	<u>813,413</u>	<u>1,639,399</u>

	<u>2010</u>	<u>2009</u>
(1) \$816,000 Water Revenue Bonds Series R-1 due in monthly installments of \$3,746 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	\$ 680,200	\$ 694,198
(2) \$48,000 Water Revenue Bonds Series R-2 due in monthly installments of \$221 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	40,041	40,869
(3) \$136,000 Water Revenue Bonds Series A, due in monthly installments of \$654 at an interest rate of 4.50%. The debt will be retired from excess annual water revenues.	105,745	108,766
(4) \$835,000 Water Revenue Bonds Series 2007, due in monthly installments of \$3,599 at an interest rate of 4.125%. The debt will be retired from excess annual water revenues.	<u>813,413</u>	<u>822,833</u>
<u>Total bonds payable</u>	<u>1,639,399</u>	<u>1,666,666</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE (6) - LONG-TERM OBLIGATIONS – Continued

The annual requirements to amortize revenue bonds are as follows:

<u>Year Ended June 30,</u>	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Series 2007</u>	<u>Total</u>
2011	\$ 44,952	\$ 2,652	\$ 7,853	\$ 43,186	\$ 98,643
2012	44,952	2,652	7,853	43,186	98,643
2013	44,952	2,652	7,853	43,186	98,643
2014	44,952	2,652	7,853	43,186	98,643
2015	44,952	2,652	7,853	43,186	98,643
2016-2020	224,760	13,260	39,265	215,931	493,216
2021-2025	224,760	13,260	39,265	215,931	493,216
2026-2030	224,760	13,260	39,265	215,931	493,216
2031-2035	224,760	13,260	5,748	215,931	459,699
Thereafter	19,427	912	-	475,137	495,476
Total principal and interest	1,143,227	67,212	162,808	1,554,791	2,928,038
Less: interest	(463,027)	(27,171)	(57,063)	(741,378)	(1,288,639)
Balance at June 30, 2010	<u>680,200</u>	<u>40,041</u>	<u>105,745</u>	<u>813,413</u>	<u>1,639,399</u>

NOTE (7) - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of the following accounts:

	<u>2010</u>	<u>2009</u>
Petty cash	\$ 60	\$ 60
General account - checking	59,615	61,585
General account - savings	14,421	7,513
Revenue account - savings	3,398	3,389
LAMP investment	16,851	16,824
Construction account - checking	-	100
Depreciation fund - savings	28,391	17,954
Reserve note fund - savings	49,806	44,649
Customers' deposits - checking	47,970	48,970
	<u>220,512</u>	<u>201,044</u>

NOTE (8) - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The St. Landry Waterworks Dist No. 2 Rural does not provide any post-employment benefits to retirees and therefore is not required to report under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.

NOTE (9) - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 20, 2010, which is the date the financial statements were available to be issued. As of October, 20, 2010, there were no subsequent events noted.

SUPPLEMENTARY INFORMATION

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
JUNE 30, 2010

Insurer	Coverage	Coverage Limits	Policy Period	
			From	To
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Commercial General Liability	\$3,000,000	2/8/2010	2/8/2011
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Commercial property	Various	2/8/2010	2/8/2011
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Boiler and machinery	500,000	2/8/2010	2/8/2011
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Robyn Cormier	100,000	2/8/2010	2/8/2011
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Ricky Theriot	100,000	2/8/2010	2/8/2011
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Bobby Richard	100,000	2/8/2010	2/8/2011
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Lois Register	100,000	2/8/2010	2/8/2011
LEMIC Insurance Company (Dupre-Carrier-Godchaux)	Worker's Compensation	500,000	5/29/2010	5/29/2011
Farm Bureau Insurance	Commercial General Liability	300,000	9/20/2009	9/20/2010
Farm Bureau Insurance	Automobile - 1988 GMC truck	300,000	7/3/2010	1/3/2011
Farm Bureau Insurance	Automobile - 2007 Dodge Dakota	300,000	5/11/2010	11/11/2010
National Union Fire Insurance Company of Pittsburg, PA (Dupre-Carrier-Godchaux)	Professional liability Policy on board members	1,000,000	10/15/2009	10/15/2010

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF DIRECTORS' AND OFFICERS' COMPENSATION
AS OF JUNE 30, 2010

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>	<u>Compensation</u>
Ricky Theriot	1/14	President	960 Hwy. 754 Sunset, LA 70584 (337) 684-6748	\$ 1,440
Linic Richard	1/11	Vice-President	1056 Hwy. 356 Sunset, LA 70584 (337) 668-4276	1,440
Bobby Richard	1/11	Secretary/ Treasurer	1321 Hwy. 754 Sunset, LA 70584 (337) 684-2294	1,440
Samuel Doucet	1/12	Board Member	916 Highway 754 Sunset, LA 70584 (337) 684-2180	1,440
Francis Henry	1/13	Board Member	2192 Hwy. 356 Sunset, LA 70584	1,440

RELATED REPORTS

Chizal S. Fontenot, CPA
 James L. Nicholson, Jr., CPA
 G. Kenneth Pavý, II, CPA
 Michael A. Roy, CPA
 Lisa Trouille Manuel, CPA
 Dana D. Quebedeaux, CPA



JOHN S. DOWLING & COMPANY
 A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

John S. Dowling, CPA
 1904-1984
 John Newton Stout, CPA
 1936-2005

Retired

Harold Dupre, CPA
 1996
 Dwight Ledoux, CPA
 1998
 Joel Lanclos, Jr., CPA
 2003
 Russell J. Stelly, CPA
 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
 ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
 St. Landry Waterworks District No. 2 Rural
 Sunset, Louisiana

We have audited the accompanying financial statements of the business-type activities of St. Landry Waterworks District No. 2 Rural, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the St. Landry Waterworks District No. 2 Rural's basic financial statements and have issued our report thereon dated October 20, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Landry Waterworks District No. 2 Rural's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Landry Waterworks District No. 2 Rural's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Landry Waterworks District No. 2 Rural's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

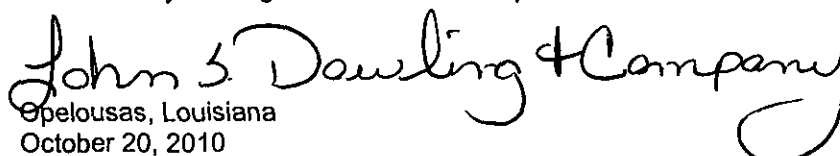
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2010-1) in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
St. Landry Waterworks District No. 2 Rural
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Landry Waterworks District No. 2 Rural's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Waterworks District's management and the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.


Opelousas, Louisiana
October 20, 2010

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of St. Landry Waterworks District No. 2 Rural.
2. One significant deficiency relating to the audit of the financial statements was reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, however we did not consider it to be a material weakness.
3. No instances of noncompliance relating to the audit of the financial statements were reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
4. There was no single audit required under OMB Circular A-133.

Section II - 2010 FINDINGS - FINANCIAL STATEMENT AUDIT

Internal Control

2010-1. Inadequate Segregation of Duties Within Accounting Functions

Condition

St. Landry Waterworks District No. 2 Rural does not have adequate segregation of duties over receipts.

Criteria

Segregation of conflicting duties within accounting functions is a basic internal control.

Cause

Only one person performs accounting duties for the Waterworks District.

Effect

Inadequate segregation of duties within the accounting functions.

Recommendation

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system.

Section III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2009-1 Inadequate Segregation of Duties Within Accounting Functions

Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation.

Section II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year findings.

Section III - MANAGEMENT LETTER

No prior year findings.

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AWARD TYPE</u>	<u>EXPENDITURES</u>
United States Department of Agriculture/Water and Waste Disposal Systems for Rural Communities	10.760	Direct Award	-0-

St. Landry Waterworks District No. 2 Rural has four revenue bonds outstanding with USDA Rural Development at June 30, 2010 as follows:

<u>Revenue Bonds</u>	<u>Outstanding Balance</u>
Series R-1	\$ 680,200
Series R-2	40,041
Series A	105,745
Series 2007	<u>813,413</u>
	<u>1,639,399</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL
SUNSET, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

NOTE (1) - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal award programs of St. Landry Waterworks District No. 2 Rural. The Waterworks District's reporting entity is defined in Note 1 to St. Landry Waterworks District No. 2 Rural's financial statements.

NOTE (2) - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to St. Landry Waterworks District No. 2 Rural's financial statements.

NOTE (3) - RELATIONSHIP TO FINANCIAL STATEMENTS

The bonds payable are reported in St. Landry Waterworks District No. 2 Rural's financial statements as a liability.

St. Landry Parish
Waterworks District No. 2 (Rural)
253 Marie Street, Sunset, Louisiana 70584
(337) 662-1208 phone; (337) 662-1209 fax

Mr. Ricky Theriot, President
Mr. Linic Richard, Vice-president
Mr. Bobby Richard, secretary/treasurer

Mr. Samuel Doucet
Mr. Francis X. Henry

CORRECTIVE ACTION PLAN

October 20, 2010

Louisiana Legislative Auditor
Baton Rouge, LA 70804

St. Landry Waterworks District No. 2 Rural, Sunset, Louisiana respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm: John S. Dowling & Company, P.O. Box 1549, Opelousas, LA 70571-1549.

Audit period: Year ended June 30, 2010.

The findings from the 2010 audit report are discussed below. The findings are numbered consistently with the numbers assigned in the report.

FINDINGS- FINANCIAL STATEMENT AUDIT

2010-1 – Inadequate Segregation of Duties Within Accounting Functions

Corrective Action Planned: Management is aware of inadequate segregation of duties, has evaluated this inadequacy and has come to the conclusion that the related costs versus benefits does not justify the additional personnel it would require to establish an adequate segregation of duties.

Contact Person Responsible for Corrective Action: Robyn Cormier

Anticipated Completion Date: N/A

FINDINGS- FEDERAL AWARD PROGRAMS AUDIT

None

